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Shoreline Capital Management, Ltd.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

SHORELINE CAPITAL MANAGEMENT,
LTD., a British Virgin Islands company
limited by shares,

No. JW CV 08 0121

Plaintiff,

vs.

XIAOBING SUN, an individual, also known
as DANIEL SUN,

DECLARATION OF LINYU YANG
SUPPORTING *EX PARTE* APPLICATION
FOR TRO AND OSC RE PRELIMINARY
INJUNCTION, AND FOR ORDER
GRANTING LEAVE TO CONDUCT
EXPEDITED DISCOVERY

Defendant.

I, Linyu Yang, say:

1. I am Linyu Yang, partner of Shoreline Capital Management, Ltd.
(Shoreline) and partner of Guangzhou United (GU). I am in charge of Shoreline's operations.
Shoreline is not registered in Guangzhou, China instead, it fully commissions all of its
commercial activities and business operations in China to GU. Therefore, GU has all the
financial analysis models, Excel Work sheets, Employment Contracts, Non-Compete
Agreements, and Employee Handbooks provided by Shoreline.

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DECLARATION OF LINYU YANG SUPPORTING *EX PARTE* APPLICATION FOR TRO
AND OSC RE PRELIMINARY INJUNCTION, AND FOR ORDER GRANTING LEAVE TO
CONDUCT EXPEDITED DISCOVERY

1 2. Every employee knows that working for GU is the same as working for
2 Shoreline. Every employee, upon hire, is instructed that all of Shoreline's work-related data,
3 statistics, documents, and relevant information are confidential. All the rules are explicitly
4 explained in the Employee Handbook which is required to be read and complied with. GU and
5 Shoreline share the same Employee Handbook.

6
7 3. On July 17, 2007, Xiaobing Sun asked, via e-mail, for leave of absence to
8 travel with his family. On August 6, 2007, Qiang Du, via e-mail, asked for one week leave of
9 absence to visit his family. Since the above dates, they never came back to work. On September
10 18, 2007, Xiaobing Sun came back to the office and returned his computer, along with Qiang
11 Du's computer, to the office. To date, they have not conducted the required exit procedure with
12 our company.

13
14 4. What I learned about Xiaobing Sun and Qiang Du since Xiaobing Sun
15 took leave of absence:

16
17 1. On August 15, 2007, I assigned Deguang Zheng, our company's employee,
18 to travel to Zhanjiang, Guangdong. Deguang Zheng e-mailed to me during his
19 travel. The full content of his email is as follows:

20
21 Everyone:

22
23 I received a phone call yesterday afternoon (August 14) from
24 Shuikang Sun, the manager of Huarong's Zhanjiang team. The first thing
25 he asked was who's in charge of the #1233 portfolio placement in
26 Zhanjiang. I felt surprised, because it's the second phone call from him
27 asking me the same question. The first phone call, on Friday, August 10,
28

1 didn't raise any question in my mind since I explained to Huarong that
2 Shoreline's top management makes the final decision and I'm the one who
3 does the ground work. When being asked the second time, I asked why
4 and was told that Xiaobing Sun claimed to be in charge of the Zhanjiang
5 area, and any related projects needed to go through him. I also learned that
6 Xiaobing Sun said he would come to Zhanjiang to meet with Huarong the
7 next day (Aug 15). (I was not sure if he was already on his way.) As far
8 as I knew, Xiaobing Sun was never responsible for the Zhangjiang area for
9 Shoreline. Our Yuexi team is assigned the Zhanjiang plan. Thus, I
10 wondered, if XiaoBing Sun were assigned to represent our company in
11 Zhanjiang, if we were to go there too, would there be any conflicts? (I was
12 not sure if our company had assigned the task to him as I haven't seen him
13 at the office for quite a while). I'm therefore writing in email to report the
14 situation and ask the management to advise on how to proceed. Thank
15 you. Deguang Zheng.

16
17 The above stated fact show that Xiaobing Sun was already contacting and
18 soliciting business from our customers falsely using his Shoreline title. As a
19 partner of Shoreline, I knew that Shoreline never assigned Xiaobing Sun to be in
20 charge of the Zhanjiang portfolio.

21
22 2. Yanmei Liang, our company's employee, brought to my attention that
23 Xiaobing Sun had asked her to introduce him to the management team of Cinda,
24 the Chinese asset management company. But later, he sent her a text message
25 saying he had already taken care of it.

26
27 3. Haiqiang Wang, the manager of our Shenzhen office, reported to me that
28

1 on September 24, 2007, Xiaobing Sun contacted him. Xiaobing Sun told him that
2 he was working with a lawyer in Beijing and was preparing for the purchase of an
3 asset portfolio from Cinda's Guangzhou office. Cinda is one non-performing loan
4 seller out of four state owned asset management companies and is Shoreline's
5 vendor. Xiaobing Sun asked Haiqiang to introduce him to Cinda Guangzhou staff
6 so that Cinda's Guangzhou would allow Xiaobing Sun to read its portfolio
7 information.

8
9 4. Deguang Zheng, one of our company's employees, warned me on two
10 fronts. First, he saw a financial analysis model from the computer of Jianping
11 Zhou, an employee of Xiaobing Sun's company. Deguang Zheng told me the
12 financial analysis model he saw is almost identical to the one belonging to
13 Shoreline. Deguang Zheng also learned from Jianping Zhou that Xiaobing Sun
14 and Qiang Du had set up a firm to do due diligence research in distressed assets.
15 Second, Deguang Zheng was questioned by Zhitao Guan from Huarong Asset
16 Management Company about whether Xiaobing Sun was still with Shoreline. The
17 question implied that Xiaobing Sun had approached Zhitao Guan and discussed
18 with Zhitao the same businesses that Shoreline does with Huarong.

19
20 5. On January 10, 2008, I met Feng Lin (also known as Frank Lin) at the
21 Shoreline Guangzhou office regarding his involvement with Xiaobing Sun and
22 Qiang Du breaching their confidentiality agreements and non-compete
23 agreements. Feng Lin is a former employee of Shoreline. Feng Lin admitted in
24 writing to Shoreline that Xiaobing Sun, Qiang Du and two others participated in
25 due diligence on non-performing loans at Huarong Asset Management Company
26 in Zhanjiang and at Cinda's Shanwei office. Feng Lin also said that all these
27 activities were under the name of Rongteng Investment Co. (English Name: Asia
28

[illegible][illegible]

The image shows a document page with a vertical line running down the center. To the left of the line, there are several lines of text, which appear to be a list or a set of instructions, though they are mostly illegible. To the right of the line, there is a large, faint, and somewhat abstract shape that could be a drawing or a large piece of text. The overall quality is very poor, with high contrast and significant noise, making it difficult to discern specific details.

DECLARATION OF INTEREST AND SUPPLEMENTAL/IRB APPLICATION FOR PRO-
AND/OR PRELIMINARY INJUNCTION AND FOR ORDER GRANTING LEAVE TO
CONDUCT EXPEDITED DISCOVERY